

CITY OF BELLEVUE  
CITY COUNCIL

Summary Minutes of Extended Study Session

October 27, 2003  
6:00 p.m.

Council Conference Room  
Bellevue, Washington

PRESENT: Mayor Marshall and Councilmembers Creighton, Davidson, Lee, Mosher, and Noble

ABSENT: Deputy Mayor Degginger

1. Executive Session

Mayor Marshall opened the meeting at 6:00 p.m. and announced recess to Executive Session for approximately 45 minutes to discuss one item of property acquisition and one item of potential litigation.

The Study Session resumed at 6:55 p.m. with Mayor Marshall presiding.

2. Oral Communications

- (a) Bill Wekell, speaking on behalf of the Wekell family trust, requested a review of wetland issues associated with the four acres of land held by the trust. His parents bought the land following World War II and it was put up for sale after the death of his mother in the past year. Mr. Wekell disagrees with the wetland decision made regarding the property by the City's Planning Department. He complimented staff for their professionalism but feels they have not given the development application sufficient consideration. He said there is compelling evidence for the exclusion of the wetland, by state law, because it was created by road construction after 1990. Mr. Wekell said the property has been used as upland pasture since at least the mid-1900s. He said this issue could cost his family \$750,000, which his mother intended for her heirs. He asked the City to reconsider its position.

Mayor Marshall asked the City Manager to look into the matter.

3. Study Session

- (a) Council New Initiatives

Mr. Lee invited Councilmembers to a 50<sup>th</sup> anniversary celebration of the Small Business Administration on November 3 at Microsoft in Redmond.

Mr. Noble encouraged Councilmembers to attend the Eastside Human Services Forum's annual meeting in November.

(b) City Manager's Report

City Manager Steve Sarkozy noted the record-breaking rainfall of five inches in one day during the storm on October 20. Utilities Director Lloyd Warren reviewed details of the storm (summarized in a memo on page 3-1 of the Council packet) including flooding and requests for assistance. He noted the City assists residents when possible with sandbags and pumps. Transportation Director Goran Sparrman reviewed road closures on Kamber Road, 148<sup>th</sup> Avenue SE, SE 7<sup>th</sup> Place/Lake Hills Connector, Factoria Boulevard, and Bel-Red Road. All roads were reopened by 9:00 a.m. the following morning.

Responding to Dr. Davidson, Mr. Warren said the car that overturned on 140<sup>th</sup> Avenue had driven around a barricade and off the edge of the road.

Mr. Mosher noted that Bellevue weathered the storm better than many other cities. He praised the City's foresight to route traffic around natural wetland areas.

(c) 2004 Community Development Block Grant (CDBG) Allocations

Parks and Community Services Director Patrick Foran welcomed Michelle Kline, Chair of the Human Services Commission; Emily Leslie, Human Services Manager; and Camron Parker, Human Services Grant Coordinator, to review the recommended 2004 Community Development Block Grant (CDBG) funding allocations.

Ms. Leslie reviewed that CDBG dollars are used to fund both capital projects and public service projects, which are listed on pages 3-6 and 3-7 of the Council packet (Attachment A). Attachment B, page 3-8, lists the application review criteria used by the Human Services Commission to evaluate requests. Attachment C, page 3-9, outlines proposed housing and human services objectives, which are primarily based on the King County CDBG Consortium Consolidated Plan.

Ms. Kline said 2004 CDBG funds are estimated at \$1,065,000. Referring to Attachment A, she reviewed the list of requests and the Human Services Commission's recommended funding levels. The Commission is not recommending funding to the Northwest Kidney Center or Abused Deaf Women's Advocacy Services. Recommended capital projects include A Regional Coalition for Housing (ARCH), City of Bellevue Home Repair Program, City of Bellevue playground accessibility expansion, Elder and Adult Day Services, Friends of Youth, Hopelink, King County Housing Authority, and Senior Services of King County Minor Home Repair Program. The Hopelink request relates to an employment program, which is not a capital project. However, the rules allow the City to allocate capital funds to programs leading to employment.

Responding to Mr. Creighton, Ms. Kline said the total dollar amount of CDBG funds is similar to last year's allocation. Funds carried forward from last year are due to the cancellation of a funded project.

Responding to Mr. Lee, Ms. Leslie said the City's Home Repair Program provides loans and grants to low-income residents for health and safety related repairs. In further response to Mr. Lee, Ms. Kline said the Commission did not recommend full funding for ARCH because ARCH receives support from a variety of sources as well as from other City budgets. The recommendation also takes competing requests into consideration.

Responding to Dr. Davidson, Ms. Kline said funding is not recommended for Northwest Kidney Center because the request is related to the initial phase of a capital campaign, and the Commission felt it questionable that the agency would be able to raise the desired funds within the proposed time frame. The funds must be spent during 2004.

Mayor Marshall thanked the Human Services Commission and staff for their work.

- (d) Motion to allow the low bidder to withdraw their bid and to award Bid No. 0330 for the Main Street Sidewalk Repair project to Gary Merlino Construction Company, Inc., as second low bidder, in the amount of \$103,765. (CIP Plan No. PW-M-3)

Dave Berg, Transportation Assistant Director, requested Council action to allow the low bidder to withdraw its bid and to award Bid No. 0330 for the Main Street Sidewalk Repair project to Gary Merlino Construction Company, as second low bidder. The low bidder notified the City of an error in its bid. The project is scheduled for completion by Thanksgiving.

Mr. Berg responded to brief questions of clarification.

- ➡ Mr. Mosher moved to allow the low bidder to withdraw their bid and to award Bid No. 0330 for the Main Street Sidewalk Repair project to Gary Merlino Construction Company, Inc., as second low bidder, in the amount of \$103,765. Mr. Noble seconded the motion.
- ➡ The motion to allow the low bidder to withdraw their bid and to award Bid No. 0330 for the Main Street Sidewalk Repair project to Gary Merlino Construction Company, Inc., as second low bidder, in the amount of \$103,765, carried by a vote of 6-0.

- (e) Capital Improvement Program (CIP) Line of Credit

Finance Director Jan Hawn recalled staff's presentation to Council on October 6 regarding the need for cash flow borrowing and the terms of a proposed line of credit. She noted that 70 percent of expenditures in the 2003-2009 General Capital Investment Program (CIP) Plan are programmed for the first three years of the plan. This is designed to take advantage of low interest rates and low construction costs in the near future. Staff recommends the establishment

of a \$35 million line of credit with a fixed 12-month interest rate estimated at 1.64 percent for the 2003-2004 biennium.

Finance Assistant Director Joe Guinasso provided the presentation. He addressed a question previously raised by Council – When was the policy of frontloading the CIP Plan established? Mr. Guinasso explained that the City has intentionally programmed the majority of CIP expenditures in the early years of the plan since 1985 to speed the delivery of public projects and minimize the effect of inflation on project costs. This practice was formally added to the City's Comprehensive Financial Policies in 1991. Council policy on this practice is included in the adopted 2003-2004 budget as well. Short-term borrowing for the General CIP Plan has only been used once, in 1990, since 1983.

Mr. Guinasso noted the next question previously raised by Council – What benefits are achieved from the early delivery of CIP projects? He explained the benefit of delivering high-priority projects expeditiously and noted examples including Access Downtown project components, Factoria Boulevard improvements, Richards Road, Cougar Mountain Way corridor improvements, Northup Way improvements, and 148<sup>th</sup> Avenue SE roadway improvements. High-priority Parks projects that have benefited from this practice include South Bellevue Community Center and the Lewis Creek Master Plan. Additional citywide projects are the Finance/Human Resources System, Neighborhood Investment Strategy (NIS), CIP contingency funding, and early implementation of the Downtown Plan.

Additional benefits of accelerated CIP spending are lower construction costs and favorable interest rates. Mr. Guinasso said the estimated financial benefit of the current frontloaded CIP Plan is \$800,000 (\$4.9 million in inflation savings minus \$4.1 million in borrowing costs). Additional savings attributed to bids below the Engineer's Estimates, property acquired below the appraised value, and grant eligibility total \$5.9 million, resulting in a total estimated benefit of \$6.7 million. Mr. Guinasso reviewed additional benefits of stimulating the local economy by continuing with public projects and supporting long-term economic growth.

Mr. Guinasso moved to the next question raised by Council – How was the figure of \$35 million for borrowing determined? He referenced page 3-25, which demonstrates the estimated need for \$35 million to cover 2003-2004 expenditures for projects currently underway.

The next question was – Which projects scheduled in the early years of the CIP Plan will require borrowing? Mr. Guinasso noted the table on page 3-26 listing these projects including Meydenbauer Beach and other property acquisitions in 2003, Lewis Creek Master Plan, and South Bellevue Community Center. Additional projects that will likely require borrowing include a list of transportation projects as well as the Finance/Human Resources System replacement and the NIS Program.

Mr. Guinasso noted Council's question regarding how the borrowing will be repaid. At the conclusion of the presentation, he will provide staff's recommendation and two alternatives. All alternatives repay the debt using funds already budgeted in the 2003-2009 CIP Plan.

Council questioned the effect of the CIP line of credit and other borrowing on the City's debt capacity and bond rating. Mr. Guinasso said the total debt capacity is approximately \$1.6 billion, which is based on a percentage of the community's assessed value. Of this, voted debt capacity is \$1,242,000,000 and Councilmanic debt capacity is \$311,000,000. The City currently has approximately \$90 million in outstanding General Purpose and Park and Open Space debt, leaving approximately \$1.5 billion in statutory capacity, or \$937 million in capacity under the City's self-imposed stricter limits. Mr. Guinasso reviewed a table on page 3-36 of the packet demonstrating Councilmanic future debt compared to debt capacity limits (both statutory and City-imposed). The proposed CIP line of credit will not affect the City's favorable bond ratings (Aa+ with Standard and Poors and Aaa with Moody's).

Mr. Guinasso reviewed Attachment G, beginning on page 3-37 of the Council packet, which describes three alternatives for the line of credit and its repayment:

1. Establish a \$35 million line of credit for cash flow borrowing for the 2003-2004 Biennium. Report back to Council in the first quarter of 2004 regarding the need for additional borrowing in 2005 to fully carry out the 2003-2009 CIP Plan.
2. Establish a \$35 million line of credit for cash flow borrowing for the 2003-2004 Biennium. Limit the total amount of borrowing to \$35 million over the life of the 2003-2009 CIP Plan. Report back to Council in the first quarter of 2004 with an amended expenditure plan that alleviates the need for further borrowing.
3. Continue internal borrowing through the use of interfund loans for the 2003-2004 Biennium. Limit the total amount of borrowing to \$15 million over the life of the 2003-2009 CIP Plan. Report back to Council in the first quarter of 2004 with an amended expenditure plan that alleviates the need for further borrowing.

Mr. Guinasso noted the list of projects on page 3-31 (Attachment E) of the Council packet that are not currently under construction and/or are not partially funded by an outside source. These projects would be candidates for reprogramming if Council chooses to alter funding allocations in the CIP Plan.

Mayor Marshall commended the accelerated delivery of transportation projects over the past few years under Transportation Director Goran Sparrman. She contrasted this to the previous situation in which the Transportation Department underspent its CIP allocations. Mr. Sarkozy confirmed that short-term borrowing was not needed in the past because projects were not being completed as scheduled. However, short-term borrowing is a fairly common practice used by cities to meet capital needs.

Mr. Lee advocates proceeding cautiously and only spending what the City can realistically afford. He favors Option 3 and a review of the project list to identify candidates for deferral.

Mr. Mosher supports staff's recommendation for a CIP line of credit, noting the benefit of accelerated project delivery at lower costs than would be achieved if projects are postponed.

Mr. Creighton concurred. He feels it makes sense to spend the money now when costs are lower and to save money when revenues are strong, as Council has done in the past.

Mr. Noble acknowledged that it is not uncommon for public entities to borrow funds to meet capital needs, particularly to accomplish projects with a long-term benefit to the community. He supports staff's recommendation for a CIP line of credit.

Mayor Marshall agrees the City should pursue this opportunity to take advantage of low interest rates and construction costs. She sees no reason to defer projects that would ultimately cost more money in the future. She thanked staff for the thorough and clear presentation and noted that Council action on the CIP line of credit is scheduled for November 3. Mayor Marshall expressed appreciation to Mr. Sparrman and his staff for their delivery of transportation projects.

At 8:15 p.m., Mayor Marshall declared a break. The meeting resumed at 8:22 p.m.

(f) Potential Convention Center Expansion

Mr. Sarkozy opened staff's presentation regarding the market and financial analyses for the expansion of Meydenbauer Center and the economic impact of alternatives uses of the transient occupancy tax (TOT, also called the hotel/motel tax).

Planning and Community Development Director Matt Terry introduced Charles Johnson and Greg Easton, consultants, and Stacy Graven, Executive Director of Meydenbauer Convention Center.

Mr. Terry said the City has been planning for the expansion of Meydenbauer Center for more than a decade. The current facility was originally undersized when built in the early 1990s and was designed to allow for expansion. A feasibility study in 1997 concluded that expansion was prudent and that it could occur as early as 2005, to be funded by the TOT revenue stream. One condition of expansion is that an accompanying hotel be developed adjacent to the center. Between 1997 and 2000, a series of actions related to expansion included securing an option to purchase land for expansion, Council's adoption of development principles to guide the expansion work, and the creation of a framework for joint development with the adjacent property owner. In 2002, the City issued debt backed by the TOT to buy the expansion site.

Current work related to the expansion of Meydenbauer Center includes: 1) an annual update of the Convention Center financial plan, including an examination of operations and expansion scenarios, and 2) testing expansion assumptions in light of changing market conditions and to ensure that expansion is still the most compelling investment to make from an economic development perspective.

Ms. Graven said Meydenbauer Convention Center is Bellevue's largest economic development tool and one of the City's most visible public assets. She emphasized the need to continue to invest in the center, particularly as communities such as Lynnwood, Everett, Tacoma, Bremerton, and Spokane are investing in new or enhanced convention facilities.

Mylor Treneer, Meydenbauer Center Director of Operations, noted the Center exceeded projections for number of events, attendance, and average operating revenue by significant amounts so far this year, as presented to Council on September 8, 2003. During the first 10 years

of operation, Meydenbauer Center has produced \$174 million in economic impact to the community and \$4.5 million toward the local tax base. Convention bookings exceeded projections annually between 1994 and 1999. Since 2000, convention bookings have declined due to high hotel rates, lack of available hotel rooms, the effects of the terrorist attacks of September 11 (2001), and clients outgrowing the Center. The impact of this lost business is measured by 41,000 lost room nights and an economic impact loss of \$11.3 million. Post September 11 competition from Seattle has made it difficult for Meydenbauer Center to replace this lost business. In the future, new and larger facilities in Tacoma, Everett, and Lynnwood will provide competition to the center as well.

Mr. Treneer said the first Market Demand Feasibility Study was performed by KPMG in 1996, and Council's approval in 1999 for a new look at expansion feasibility was based on this study. The study was updated in 2001. KPMG projected a strong performance for an expanded Meydenbauer Center with the following elements: 1) adjacent 400-room headquarters hotel, 2) 60,000 square feet of exhibition space, 3) 24,000 square foot ballroom divisible into eight meeting rooms, and 4) nine meeting rooms totaling 12,000 square feet.

Mr. Treneer reiterated that regional competition of new convention centers has changed Meydenbauer Center's position in the market. In 2007, seven regional centers (Portland, Seattle, Spokane, Tacoma, Everett, Boise, and Lynnwood) will be larger than Meydenbauer Center. As a result, the Bellevue Convention Center Authority (BCCA) requested an updated feasibility study to answer the following questions: 1) Is there still market demand for an expanded Meydenbauer Center? 2) How will an expanded Meydenbauer Center perform against increased competition in the marketplace? and 3) How will Meydenbauer Center perform in the future without expansion? The BCCA hired C.H. Johnson Consulting to perform the study. This firm has recent experience on the West Coast and in this region including Phoenix, Tucson, Portland, Tacoma, Spokane, South San Francisco, and Palm Springs.

Mr. Treneer said it is typical to examine the fifth year following expansion to evaluate the feasibility. By the fifth year, an expanded Meydenbauer Center with adjacent headquarters hotel is projected to generate \$67.6 million in economic impact from out-of-town visitors. For each dollar of TOT revenues invested, the expansion will generate an additional \$9.80 of spending in the community. Local tax collections will total nearly \$1.3 million, and an expanded Center is anticipated to operate even more efficiently than the current facility.

Mr. Treneer explained that the expansion is projected to be successful due to its strong destination, ability to secure the mid-size market niche, and the creation of new demand for the Center. Bellevue benefits from the Seattle area's strong appeal as a tourist destination as well as a strong corporate base. Meydenbauer Center has competed well with Spokane as a mid-sized center and, with expansion, will retain its position as the leading mid-size facility in the region. A headquarters hotel, 24,000 square foot ballroom, and the increase in exhibition space will open new markets for Meydenbauer Center.

A strategic advisory group recently surveyed 42 Washington state associations considered to be potential Meydenbauer Center clients. All organizations in the group said they might use (20 percent) or are highly likely to use (80 percent) an expanded Meydenbauer Center with a

headquarters hotel. Nearly half of the group ruled out using the current Center, however, due to its space limitations.

Mr. Treneer reviewed lost business in 2002. Of 15 conventions interested in meeting in Bellevue, nine were lost because the Center has no attached hotel and/or not enough space. These leads represented more than 10,000 room nights. With its current 36,000 square feet of exhibition space, Meydenbauer Center can compete for less than half of conventions requiring exhibit space. Following expansion to 60,000 square feet, the Center can compete for more than 70 percent of the market. The new ballroom and larger exhibition hall will attract new, larger events requiring same-day banquet, meeting, and exhibit functions. The new ballroom will be the largest on the Eastside and the second largest in the Puget Sound region. The Center will be able to compete for large banquet events that can now only be held in Seattle.

Mr. Treneer continued reviewing key projections of the C.H. Johnson report. An expanded Meydenbauer Center will host 100 more events per year by the fifth year of expansion. Similarly, total attendance will increase. More events with increased attendance and higher food and beverage revenues will increase overall revenues and improve operational efficiency. The expanded Center and headquarters hotel will attract more, larger conventions and generate more than 106,000 room nights annually by 2010.

Mr. Treneer said the C.H. Johnson report projects that without expansion Meydenbauer Center will: 1) drop from its niche as the leading mid-size facility in the region, 2) continue to lose conventions that are outgrowing the facility, and 3) attract fewer, and smaller, events generating a lower level of economic impact. The report projects that by 2010, an unexpanded Center's operating deficit will reach nearly \$3 million. Under this scenario, TOT revenues will not be generating net new spending in the community or net new fiscal benefits to the City of Bellevue. Mr. Treneer summarized that the expansion of Meydenbauer Center is an investment paid for by non-residents who stay in hotels, eat in restaurants, and shop at local stores. Bellevue residents benefit because City tax revenues increase without imposing additional taxes on residents.

Tim Carr, Director of Sales/Guest Services, addressed the question of: Why should Meydenbauer Center expand when there are so many new facilities coming into the market on both the state and national level? He explained the need to remain competitive and improve what the Center has to offer to customers. Expansion, along with the addition of a headquarters hotel, will add much-needed exhibition and meeting space and substantially improve the Center's competitive position. Mr. Carr noted that industry data indicates expansion will dramatically increase the Center's market potential. Expansion with a headquarters hotel increases the Center's market potential from nine percent to 73 percent of the total convention market. Mr. Carr explained that the availability of adjacent hotel rooms is the most important site selection factor in attracting conventions. An analysis of lost business supports the importance of adjacent hotel rooms as well.

Responding to Councilmember Mosher, Mr. Johnson acknowledged the importance of reasonable hotel rates and explained that communities often try to attract additional hotels over time in order to maintain favorable rates. Mr. Johnson said the expansion, including the addition



of a ballroom, will enable the Center to be profitable like the convention center in Arlington, Texas.

Responding to Mayor Marshall, Ms. Graven said the ballroom will be the largest on the Eastside and will have the ability to be separated into eight meeting rooms.

Responding to Councilmember Noble, Mr. Treneer said the consultants analyzed two alternative hotel scenarios, one involving a new hotel not adjacent to the Center and the other involving a new hotel at Bellevue Place. Both scenarios attracted new clients and new convention business, but fewer room nights were generated than under the adjacent hotel scenario. The consultants did not develop business projections for a scenario reflecting no new hotel.

Responding to Mr. Mosher, Mr. Johnson said convention centers generally expand every 7 to 10 years.

Mr. Creighton asked Mr. Johnson to comment on the desirability of hiring a third party to operate a convention center facility. Mr. Johnson said the private management option is often a response to challenges such as ineffective management or union issues, or when a center is just starting up operations.

Mr. Easton reviewed the economic impact of potential alternative uses of the hotel/motel tax. Allowable uses identified in state legislation are tourism promotion, the acquisition of tourism-related facilities (including performing arts), and the operation of tourism-related uses. Uses considered by the consultants were Meydenbauer Center expansion and operation, performing arts center development and operation, Bellevue Arts Museum operation, Children's Museum development and operation, historical museum development and operation, and tourism promotion. The economic impact model focuses on spending by tourists or revenue earned from sources outside the region. Direct impacts include business receipts, the creation of jobs, and increased tax collections. Indirect impacts include additional spending generated within the community.

Mr. Easton compared average spending patterns, total attendee days, ongoing annual impacts, and return on investment for each of the alternative uses identified above. He concluded that Meydenbauer Center generates the greatest economic impact because it attracts a higher percentage of high-spending users from outside the area. He noted that all of the potential uses contribute economic benefit and make the community more attractive to new businesses, employees, and residents.

Mr. Terry said discussions of development principles and financial feasibility are scheduled with Council for mid-November. Subsequent steps will be determined by Council direction.

#### (h) Puget Sound Energy Natural Gas Utility Franchise – Second Extension

Mr. Sarkozy recalled previous Council discussions regarding renewal of the Puget Sound Energy natural gas utility franchise. Council previously directed staff to continue negotiations, particularly on the issue of insurance to cover accidents and claims. Puget Sound Energy has

offered to provide \$5 million minimum insurance levels with the City listed as an additional insured. While this is lower than the level originally requested, it is consistent with insurance provided for other cities.

Mayor Marshall noted the franchise agreement will be presented for Council action on November 3. David Kerr, Franchise Manager, responded to brief questions of clarification. Mr. Creighton observed that the insurance provision is consistent with other government institutions.

- ➡ At 9:48 p.m., Mr. Mosher moved to extend the meeting to 10:30 p.m. Dr. Davidson seconded the motion.
- ➡ The motion to extend the meeting to 10:30 p.m. carried by a vote of 4-2, with Mr. Creighton and Mr. Noble dissenting.

(g) Regional Issues

Diane Carlson, Director of Intergovernmental Relations, referenced page 2 of the regional issues packet regarding regional solid waste issues.

Alison Bennett, Policy Program Manager, noted that King County Executive Ron Sims has presented two ordinances to the King County Council for action, one regarding the landfill rent issue and the other seeking approval of the King County Solid Waste Division 2004 Business Plan. Bellevue has requested review and renegotiation of its interlocal agreement with the County and looks forward to discussions with County staff. Ms. Bennett said staff continues to work on these issues with the Suburban Cities Association (SCA), which has arranged a meeting with County Councilmember Julia Patterson and city officials (including Councilmember Davidson). Councilmember Patterson chairs the County's Regional Policy Committee.

Ms. Bennett requested Council feedback on the revised version of the draft Regional Solid Waste Management Interest Statement, provided in Council's desk packet. Mayor Marshall noted the importance of including privatization as a potential future option. Mr. Noble suggested more specific language regarding the reduction of risk.

Referring to the Business Plan, Dr. Davidson expressed concern about the proposed transfer of solid waste funds to the County's general fund, which does not benefit ratepayers. He questioned the overall logic of the Business Plan. Dr. Davidson is in favor of renegotiating an interlocal agreement. He noted the Plan refers to increasing competition yet specifies that all waste will be disposed of through King County. Dr. Davidson would prefer to explore privatization options.

Mayor Marshall agreed that the County has failed to demonstrate it has adequately analyzed all available options. The County will not allow an outside review of its operations, in contrast to Bellevue which regularly initiates such reviews. She concurs with Dr. Davidson that ratepayers should not be subsidizing the County's general fund. Mayor Marshall expressed concern about a provision of the Business Plan to grant authority to the County Executive to make certain decisions, such as altering transfer station hours, without the approval of the King County

Council. She is opposed to proposals to develop a County-operated intermodal facility to facilitate waste export and to close the Houghton facility while expanding the Factoria transfer station. Mayor Marshall cautioned against the County's transferring funds to the general fund now and then coming back to cities in a few years with a need for additional funds to maintain and/or upgrade transfer stations. She likened this to the County's current budget deficiencies affecting human services, court and jail services, and parks.

Referring to the draft interest statement, Mr. Mosher suggested combining the second and fourth bullet items because of their similarity.

Moving to the next item, Transportation Policy Advisor Kim Becklund introduced the issue of the best use for \$40 million in Sound Transit unanticipated revenues for the East Subarea. She noted letters in the regional issues packet reflecting Eastside Transportation Partnership's suggestion that the funds be directed toward implementing the R8A alternative and high-capacity transit (HCT) on I-90.

Mr. Mosher expressed support for ETP's recommendation. Mr. Noble noted that some jurisdictions are concerned that if the projects are not initiated soon, the funds could be used for other purposes in the future.

Responding to Mr. Creighton, Mrs. Marshall said the estimated cost of Alternative R8A is \$125 million. She clarified that the unanticipated revenues of \$40 million would be used for transit/HCT improvements involving the I-90 center lanes. Mr. Noble said the funds cannot be used for general purpose or HOV improvements. Mrs. Marshall said some funds have already been allocated to R8A and additional funding will be pursued through the new regional mechanism known as RTID (Regional Transportation Investment District).

Mr. Creighton expressed frustration with the ongoing expectation that the Eastside should fund transit improvements serving both Seattle and Eastside citizens. Mayor Marshall acknowledged this concern and noted that regional forums are working to ensure appropriate funding is contributed from all affected communities.

Elaborating on ETP's suggestion to fund the I-90 project, Mr. Noble noted their interest in identifying a transit project that will bring substantial improvements to the region's mobility.

Dr. Davidson feels more can and should be done to emphasize and improve express bus service before turning to rail solutions.

Responding to Mr. Lee, Transportation Director Goran Sparrman explained that transit improvements to I-90 will have a greater impact on Bellevue's future than projects on I-405. A regional agreement commits Bellevue and other jurisdictions to support alternative R8A and HCT development on I-90. Funding R8A is considered a regional responsibility while HCT funding is considered a Sound Transit responsibility.

Mr. Noble noted that the legislative change allowing single-occupancy vehicles to use HOV lanes during non-peak hours eliminated the ability to use Sound Transit funds for HOV lane improvements.

- At 10:26 p.m., Mr. Creighton moved to extend the meeting to 11:00 p.m. Mr. Mosher seconded the motion.
- The motion to extend the meeting to 11:00 p.m. carried by a vote of 6-0.

Responding to Mr. Creighton, Mr. Sparrman said Sound Transit funds can be used for the Eastgate Park and Ride HOV lanes because they will be designated for transit use only.

Mayor Marshall expressed appreciation for the support and regional leadership of the cities of Issaquah and Kirkland for the I-90 projects.

- Mr. Noble moved to ask Sound Transit to apply East Subarea unanticipated revenues (approximately \$40 million) toward I-90 projects including the R8A alternative and high-capacity transit. Mr. Mosher seconded the motion.
- The motion to ask Sound Transit to apply East Subarea unanticipated revenues (approximately \$40 million) toward I-90 projects, including the R8A alternative and high-capacity transit, carried by a vote of 4-2, with Dr. Davidson and Mr. Lee dissenting.

Turning to the proposed short-term agreement with King County to provide court services through 2006 (Page 33 of the regional issues packet), Councilmembers indicated general support for staff's recommendation. Mr. Creighton feels the City should eventually pursue the creation of its own municipal court.

Ms. Carlson referenced page 38 and asked Council to review the draft 2004 state legislative agenda and policy statement to provide future direction to staff. Mayor Marshall suggested that tort reform should be a high priority.

At 10:40 p.m., Mayor Marshall declared the meeting adjourned.

Myrna L. Basich  
City Clerk

kaw